

# BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

SEPTEMBER, 1942

# Review of Seventh District Business

While nature was producing record crops throughout the Seventh Federal Reserve District, industrial production continued to advance during August, although still handicapped by erratic flows of materials and by unbalanced production schedules. Increases in employment raised the level back to where it was a year ago, but payrolls were carried to unprecedented heights, surpassing anything ever recorded.

The largest corn crop in 22 years and the third largest on record was indicated on September 1. The prospective production is 3,015,915,000 bushels. If this prospect materializes, the crop will be 13 per cent larger than was produced in 1941 and 31 per cent above the ten-year average of 1930-39. The states of the Seventh District are expected to produce 1,334,746,000 bushels, or 44 per cent of the total for the United States.

The indicated production of wheat is 981,793,000 bushels, which is nearly four per cent larger than last year's crop and second in size to the billion bushel record of 1915.

Oats production is placed at 1,353,431,000 bushels which is 15 per cent larger than the 1941 crop and 34 per cent above the ten-year average.

Prospective production of soybeans is the largest on record, although early frosts may have damaged the crop somewhat. The total production is estimated at 211,452,000 bushels. The 1941 production was 106,712,000. Illinois leads with 75,196,000 bushels, Iowa is second with 43,366,000 bushels, and Indiana is third with 29,400,000 bushels. The four states in this District where soybeans are grown are expected to produce 72 per cent of the entire crop.

Total manufacturing employment is still slightly below the all-time peak which was reached in September 1941 when the index stood at 146. During the conversion period this index fell rapidly, reaching a low of 133 in February of this year where it remained with little change until early May. A rapid rise set in in June, and the index moved up to 143 by the middle of August.

Total manufacturing payrolls have outdistanced employment. With the exception of a slight recession which occurred in February, the index of payrolls has con-

tinued a steep upward climb, reaching 205 on August 15. This is by all odds the highest point reached in payrolls in the Seventh Federal Reserve District and compares with the peak of 135 in 1937 and 130 in the boom year of 1929. Longer working hours and time-and-a-half for overtime account for considerable part of the rapid rise in payrolls.

When considered by the five states which lie wholly or in part in the Seventh Federal Reserve District, Michigan leads with a gain of 3.3 per cent in employment and 7.1 per cent in wage payments during the period from July 15 to August 15. Indiana was second with a gain of 3.1 per cent in employment and 5.9 per cent in payrolls. Illinois reported an increase of 2.9 per cent in employment and 5 per cent in payrolls. In Iowa, the gain in employment in the durable goods industries was sufficient to more than offset the loss in non-durable, with the result that there was a net gain of 1.1 per cent. Payrolls in that state, however, increased 4.5 per cent. The only loss in employment was reported by Wisconsin where employment declined 1.5 per cent. Higher wage rates and longer hours, however, caused payrolls to rise 2.4 per cent.

Industrial production gains have been spotty. Except for a slight upturn at the end of the month, production of steel mills in the District hovered near the 100 per cent of capacity mark. While this is still an enviable record, it represents a gradual fall from the extraordinary heights attained earlier in the year.

The tonnage of bituminous coal mined during the month of August was 6 per cent larger than in July and 13 per cent larger than in August of 1941. For the eight months to date, production has been 20 per cent ahead of a year ago.

The largest monthly total of construction contracts ever awarded in this District was reported in August. The awards totaled 210 million dollars. More than 90 per cent of this amount represented publicly-owned projects, as industrial plants accounted for 130 million dollars of the total. A large portion of the new plant facilities is to be located in Indiana and Wisconsin. Residential awards remained at a low level despite the fact that they were supported by an increasing volume of public funds.

# Impact of War on Seventh District Income

Income payments in the United States and in the five states included partially or wholly in the Seventh District exceeded all previous records in 1941. Income payments in Illinois, Indiana, Iowa, Michigan, and Wisconsin reached 16.9 billion dollars, or 18.4 per cent of income payments in the nation, totaling 91.6 billion dollars. In 1941 each state in the District surpassed its 1929 all-time high level, except Illinois which was only 3 per cent under its former record. The mounting tide of incomes has continued in 1942, and income payments in the United States during January-July 1942 were up 22 per cent from the same period last year.

Within the District, Illinois maintained its lead in income payments with 6.7 billion dollars, followed by Michigan, Indiana, Wisconsin, and Iowa in decreasing order of importance. From 1939 to 1941, however, Michigan and Indiana had more rapid rates of growth in income payments, 42 and 38 per cent, respectively, than Illinois or Wisconsin where income payments increased at almost the same rate as the national rise of 30 per cent. Income payments in Iowa advanced slightly more than one-fifth during the two-year period.

The accelerated rate of economic expansion between 1939 and 1941 enabled Michigan to rise to sixth (from seventh) place, and Indiana to tenth (from eleventh) place in income payment rankings among the states of the nation. Illinois retained third and Wisconsin twelfth place, while Iowa dropped to seventeenth (from fifteenth) place during the period.

The increases in income payments made by the District states during the past two years are largely attributable to their patterns of economic activity, overwhelmingly dominated, except in Iowa, by industries contributing to the national war effort. The tremendous volume of war contracts awarded to firms in the District since June 1940 has led principally to the expansion of manufacturing and construction activities which in peace-time were already relatively more important

sources of income in the District than in the nation. Total war contract values awarded between June 1941 and June 1942 in Michigan were 50 per cent larger, and in Indiana more than equal to the total value of all products manufactured in those states during 1939.

In 1939 more than 35 per cent of all salaries, wages, and entrepreneurial net incomes (income of self-employed persons available for personal use) in the District states was derived from manufacturing, mining, and construction, as compared with 30 per cent for similar incomes in the entire United States. In Michigan and Indiana the proportions obtained from these sources, 45 and 39 per cent, were still greater. Moreover, these two predominantly industrial states, under the stimulus of war contracts, have shown substantially larger increases in income payments from manufacturing and construction sources than either the District or the nation.

While Illinois has not shown the gains noted in Michigan and Indiana, it has in no way relinquished its leading position among the five states in income payments. An analysis of Illinois income payment sources reveals at least in part why the state has lagged somewhat in income payment growth: manufacturing activities contribute relatively less to income payments in the state than the national average; distributive and service industries which have made only small advances in the past two years are more important in Illinois than in the other District states or the nation; a larger proportion of income payments in Illinois is derived from dividends and interest payments which have increased less than labor and farm income since 1939; and Illinois manufactures, because of their more diversified nature, have also shown more losses and made smaller gains than the more strictly specialized and more readily convertible "heavy" industries found elsewhere in the District.

Manufacturing, mining, and construction industries in Wisconsin are responsible for roughly the same pro-

SEVENTH DISTRICT STATES IN THE NATIONAL ECONOMY

	Population— 1940 Census			Total Income Payments—1941			War Contracts, Cumulative through June 1942			Value of Manufactured Products, 1939			Cash Income from Farm Marketings, 1941		
	Thou- sands of Persons	Per Cent of United States Total	National Rank	Millions of Dollars	Per Cent of United States Total	National Rank	Millions of Dollars	Per Cent of United States Total	National Rank	Millions of Dollars	Per Cent of United States Total	National Rank	Millions of Dollars	Per Cent of United States Total	National Rank
Illinois.....	7,897	6.0	3	6,712	7.3	3	3,147	4.1	8	4,795	8.4	3	709	6.3	4
Indiana.....	3,428	2.6	12	2,367	2.6	10	2,665	3.4	9	2,228	3.9	9	389	3.5	10
Iowa.....	2,538	1.9	20	1,421	1.6	17	397	0.5	29	719	1.3	19	874	7.8	1
Michigan.....	5,256	4.0	7	4,358	4.8	6	7,313	9.4	1	4,348	7.7	5	301	2.7	13
Wisconsin.....	3,138	2.4	13	2,011	2.2	12	1,413	1.8	15	1,605	2.8	10	436	3.9	6
Five States Total..	22,257 <sup>1</sup>	16.9	.....	16,869	18.5	.....	14,935 <sup>2</sup>	19.3	.....	13,695	24.1	.....	2,709	24.2	.....
United States Total.....	131,669	100.0	.....	91,621	100.0	.....	77,516	100.0	.....	56,829	100.0	.....	11,244	100.0	.....

<sup>1</sup>Population in the Seventh Federal Reserve District in 1940 was 19,406,389, or 14.7 per cent of the United States total.

<sup>2</sup>War contracts in the Seventh Federal Reserve District, cumulative through June 1942, aggregated \$14,145 million, or 18.2 per cent of the United States total.



portion of total income payments as in Illinois, but through 1940 and 1941 made smaller gains, consequently limiting total income payments in the state. Partially offsetting these smaller advances in manufacturing activity, income payments from agriculture (largely livestock and livestock products) in Wisconsin have increased more rapidly, 54 per cent between 1939 and 1941, than in the District or the nation.

Iowa's moderate gains in income payments can be traced directly to the location of few sizable war manufactures and to the importance of agriculture, from which net income has increased more slowly than payrolls of war industries.

#### WAR CONTRACT AWARDS

As industrial production becomes more and more geared to total war, the volume of war contract awards determines to a growing extent the levels of income and business activity in particular industries and areas of the District.

War contract awards in the Seventh Federal Reserve District are now larger than in any other District in the Federal Reserve System. Major prime supply contracts and facilities projects of the Army, Navy, Maritime Commission, Treasury Department, and the British Empire in the Seventh District, cumulative through June 1942, aggregated 14.1 billion dollars, or 18.2 per

#### INCOME PAYMENTS IN SEVENTH DISTRICT STATES AND UNITED STATES

	(Amounts in millions of dollars)			Percentage Increase in Income Payments	
	1939	1940	1941	1940-41	1939-41
Illinois.....	5,209	5,654	6,712	19	29
Indiana.....	1,720	1,855	2,367	28	38
Iowa.....	1,176	1,159	1,421	23	21
Michigan.....	3,064	3,433	4,358	27	42
Wisconsin.....	1,563	1,652	2,011	22	29
Five States.....	12,732	13,753	16,869	23	32
United States.....	70,747	76,253	91,621	20	30

Source: Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

cent, of all war contracts in the entire United States.

The contracts authorize the expenditure of 10.8 billion dollars for supplies and 3.2 billion dollars for facilities projects. Supply contracts for aircraft amount to 2.6 billion dollars, for ships 292 million dollars, and for all other items 7,899 million dollars. Awards having a value of less than \$50,000 and all awards for foodstuffs are excluded in this distribution. Contracts have been assigned to the industrial areas on the basis of location of the producing plants. Facilities projects include 3 billion dollars for industrial plants and equipment and 266 million dollars for non-industrial installations. The facilities category represents the latest estimate of final cost of each construction project with the entire estimated value assigned to the project site.

Some measure of the possible effects of contracts upon incomes can be found in per capita distribution of war contract awards. The District average of \$670 per person is higher than the average for the nation of \$590 per person. On an industrial area basis, the per capita figures show much wider variations, from more than \$2,000 in the Detroit industrial area to less than \$300 in a number of other industrial areas.

The important contribution of the Seventh District to the national war effort is revealed not only by the rank of the District as a whole in respect to war contracts awarded, but also by the national rank of the states. Michigan ranks first among all states in value of war contracts awarded. Illinois ranks eighth, Indiana ninth, and Wisconsin fifteenth. The Detroit and Chicago industrial areas alone received 7.8 billion dollars in war contracts, more than half of the Seventh District total and about one-tenth of the national total.

The distribution of major prime supply contracts and facilities projects, of course, gives only a very general indication of the effects of war-time expenditures upon economic activity in a given area. They do not reveal the extent of sub-contracting which frequently removes substantial amounts of prime contracting into neighboring and distant manufacturing centers. They exclude the important productive contributions of agriculture, mining, and other related industries. Nevertheless these contracts provide the largest single stimulus to industrial production and in turn provide a source of new

SALARIES, WAGES, AND ENTREPRENEURIAL NET INCOME							
Industry Groups and Seventh District States							
State	Year	Agri- culture	Mfg. Mining, and Const'n	Distri- bution	Service	Government	Total
Amounts in Millions of Dollars							
Illinois.....	1941	385	2,200	1,456	1,121	435	5,597
.....	1939	281	1,378	1,143	967	376	4,145
Indiana.....	1941	223	976	428	303	143	2,073
.....	1939	161	551	329	253	125	1,419
Iowa.....	1941	448	212	261	193	105	1,219
.....	1939	340	157	228	168	96	989
Michigan.....	1941	192	2,114	729	512	297	3,844
.....	1939	139	1,157	554	433	247	2,530
Wisconsin.....	1941	276	671	359	270	141	1,717
.....	1939	179	432	298	230	134	1,273
Five States.....	1941	1,524	6,173	3,233	2,399	1,121	14,450
Total.....	1939	1,100	3,675	2,552	2,051	978	10,356
United States.....	1941	7,240	27,475	17,538	15,066	8,197	75,516
Total.....	1939	5,029	16,742	14,506	12,893	6,154	55,324
Percentage Distribution in 1939							
Illinois.....		6.8	33.3	27.6	23.3	9.0	100.0
Indiana.....		11.4	38.8	23.1	17.9	8.8	100.0
Iowa.....		34.4	15.8	23.1	17.0	9.7	100.0
Michigan.....		5.5	45.7	21.9	17.1	9.8	100.0
Wisconsin.....		14.0	34.0	23.4	18.1	10.5	100.0
Five States.....		10.6	35.5	24.6	19.8	9.5	100.0
Total.....		8.8	30.3	26.3	23.4	11.2	100.0
United States.....							
Percentage Increase from 1939 to 1941							
Illinois.....		37	60	27	16	16	35
Indiana.....		39	77	30	20	14	46
Iowa.....		32	35	14	15	9	23
Michigan.....		38	83	32	18	20	52
Wisconsin.....		54	55	20	17	5	35
Five States.....		39	68	27	17	15	40
Total.....		44	64	21	17	33	36
United States.....							
Total.....							

Source: Bureau of Foreign and Domestic Commerce, United States Department of Commerce.

and expanded incomes for millions of persons in the Seventh District.

War-time restrictions bar disclosure of the rate of completion of contracts. For that reason the proportion of total contract awards which has been expended and which has been realized as income by the individuals participating in production cannot be given. It is obvious, however, that only a part of the war contract awards has been translated into finished production of war materials, for the bulk of the contracts reported at the end of June 1942 has been awarded since Pearl Harbor. The District's manufacturing and construction industries as a whole did not turn appreciably to war production until late 1941 and a good deal of costly and time-consuming conversion was necessary before industrial activity could begin on any scale approaching mass production. The full impact of war expenditures upon income payments in the Seventh District has not as yet been felt.

#### MANUFACTURING PAYROLLS AND EMPLOYMENT

Changes in manufacturing payrolls and employment during the past two years provide an important indication of the size and distribution of increased income in the District and the nation. Manufacturing payrolls in the Seventh District advanced 66 per cent from June 1940 to June 1942, reaching new record heights by October of last year. Employment rose 29 per cent during the two-year period, breaking all previous records as early as January 1941. The gains nationally during the two-year period were larger than in the District, manufacturing payrolls rising 96 per cent and employment 34 per cent, probably indicating the relatively greater conversion problem in the District.

The distinct upward trends have, however, been interrupted by significant periods of material and labor shortages and conversion of plant facilities and equipment to the production of war supplies. Manufacturing activity in the District, measured in terms of payrolls and employment, showed relatively smaller gains or actually declined during the late fall months of last year and the spring months of the current year during a critical period of industrial changeover. The national manufacturing pattern of activity closely resembled that of the District during the period, reflecting to some extent the influence of District manufactures upon the nation.

Beginning in mid-1942, employment in the District and nation again resumed its upward movement and payrolls continued to climb to progressively higher record-breaking levels. As more war production facilities are completed, manufacturing activity will no doubt continue to expand as long as labor and materials remain available.

Payrolls, as has been shown, have moved ahead at a more accelerated rate than employment, and in some instances payrolls have risen steadily while employment

has fallen. The explanation is to be found largely in longer work weeks, higher hourly wages brought about by basic wage-rate increases and overtime rates, and higher rates of pay for workers who have qualified through upgrading for skilled jobs because of the war emergency.

In peace-time (1939), industries in the five District states produced slightly less than one-quarter of the nation's total manufacturing output, calculated both on the basis of value of product and value added by manufacture. In the shift to industrial war production, the major peace-time industries together with newly established war industries have given the District a dominant position in the national war effort, producing tanks, transportation equipment, engines, munitions, and other vital war materials.

The largest proportion of conversion and increased output of war materials obviously has been in the durable goods industries. District payrolls for these industries advanced 78 per cent and employment 35 per cent from June 1940 to June 1942. For the United States, the gains were still larger, 134 and 56 per cent, respectively, indicating the extent of new industrial growth in other war production centers of the nation. Non-durable goods payrolls and employment in both the District and the nation, e.g., foods, paper and printing, chemicals, textiles, and rubber, rose less than half as much as those for durable goods during the same period, caused to a large extent by government production restrictions and limited sources of raw materials and labor.

#### ILLINOIS

Measured by changes in payrolls and employment, Illinois manufactures have reached all-time high levels during the past two years. However, during the upward surge, most important "heavy" and non-durable goods industries have marked time while plants and equipment were expanded and converted to war production. In a number of important plants this conversion work will not be completed for several months. In July 1942 manufacturing payrolls were 15 per cent above and employment roughly equal to July 1941 levels, and manufacturing activity now promises to rise substantially for some time.

Since the beginning of defense work in 1940, Illinois industries directly serving the nation's war needs, such as blast furnace, rolling mill and foundry products, machinery and tools, transportation equipment, explosives, textiles excluding clothing and millinery, and most food products, have expanded activities greatly. Payrolls in these industries have shown a strong tendency to increase as much as 25 to 50 per cent in a single year in some durable goods manufactures. Employment, on the other hand, has made slower and more spasmodic advances.

Curtailed passenger automobile production, residential building restrictions, severely reduced raw material

**DISTRIBUTION OF MAJOR PRIME SUPPLY CONTRACTS AND FACILITIES PROJECTS OF THE ARMY, NAVY,  
MARITIME COMMISSION, TREASURY, AND BRITISH EMPIRE, JUNE 1940 THROUGH JUNE 1942<sup>1</sup>**  
Seventh Federal Reserve District and Industrial Areas  
(In thousands of dollars)

District and Industrial Area	SUPPLY CONTRACTS				FACILITIES PROJECTS			Total Supply Contracts and Facilities Projects
	Aircraft	Ships	All Other	Total	Industrial	Non-Industrial	Total	
ANDERSON—MUNCIE..... Delaware and Madison Counties, Ind.	2,053		59,126	61,179	5,710		5,710	66,889
BATTLE CREEK..... Calhoun County, Michigan			46,484	46,484	9,074	14,697	23,771	70,255
CEDAR RAPIDS..... Linn County, Iowa			10,276	10,276	837		837	11,113
CHICAGO..... Cook, DuPage, Kane, Lake and Will Counties, Illinois; Lake County, Indiana	353,145	13,958	1,530,442	1,897,545	961,697	69,580	1,031,277	2,928,822
DETROIT..... Oakland and Wayne Counties, Michigan	688,540	16,839	3,535,441	4,240,820	572,131	8,884	581,015	4,821,835
DES MOINES..... Polk County, Iowa			65,414	65,414	64,415	6,664	71,079	136,493
FLINT..... Genesee County, Michigan			427,989	427,989	85,023		85,023	513,012
FORT WAYNE..... Allen County, Indiana	26,406		77,190	103,596	42,305	11,154	53,459	157,055
GRAND RAPIDS..... Kent County, Michigan	1,404	152	36,918	38,474	23,255		23,255	61,729
INDIANAPOLIS..... Marion County, Indiana	378,015		151,886	529,901	73,328	5,358	78,686	608,587
MANITOWOC..... Manitowoc County, Wisconsin		111,042	6,251	117,293	1,808		1,808	119,101
MILWAUKEE..... Kenosha, Milwaukee and Racine Counties, Wisconsin	15,338	7,250	489,835	512,423	224,879		224,879	737,302
MUSKEGON..... Muskegon County, Michigan	18,878	397	106,508	125,783	23,360		23,360	149,143
PEORIA..... Peoria and Tazewell Counties, Illinois		136	68,747	68,883	736		736	69,619
ROCKFORD..... Rock County, Wisconsin and Winne- bago County, Illinois			143,764	143,764	31,211	8,657	39,868	183,632
ROCK ISLAND..... Rock Island County, Illinois	172		10,648	10,820	16,859		16,859	27,679
SAGINAW—BAY CITY..... Bay, Midland and Saginaw Counties, Michigan	64	81,359	60,502	141,925	35,528		35,528	177,453
SOUTH BEND—LA PORTE..... Elkhart, La Porte and St. Joseph Counties, Indiana	243,336	260	248,222	491,818	110,185		110,185	602,003
WATERLOO..... Black Hawk County, Iowa			33,314	33,314	6,514		6,514	39,828
REMAINDER OF DISTRICT.....	900,644	60,783	789,623	1,751,050	771,859	140,641	912,500	2,663,550
SEVENTH DISTRICT TOTAL.....	2,627,995	292,176	7,898,580	10,818,751	3,060,714	265,635	3,326,349	14,145,100
UNITED STATES TOTAL.....	19,571,842	9,232,176	26,613,310	55,417,328	13,700,358	8,398,706	22,099,064	77,516,392

<sup>1</sup>Awards having a value of less than \$50,000 and all awards for foodstuffs are excluded. No allowance has been made for revisions in the estimated final costs of products under cost-plus-a-fixed-fee contracts or under contracts containing a clause with respect to wage rates and materials prices. British Empire contracts cover the period since September 1939. Manufacturing project orders have not been included, for in large part these are subsequently awarded as prime contracts and included in prime contract data. Contracts have been assigned to the industrial areas on the basis of location of the producing plants. The category "facilities" represents the latest estimate of final cost of each construction project for which a contract has been awarded, or a letter of intent or project order issued with the entire estimated value assigned to the project site.

Source: War Supply and Facility Contracts by Industrial Area, Statistics Division, War Production Board.



supplies, and stoppage of civilian production have forced many civilian peace-time industries in Illinois to contract production, including glass and glass products, residential building materials, furniture, mill work, rubber products, specialized paper goods and printing, and civilian clothes manufacturing.

#### INDIANA

During the past two years manufacturing industries in Indiana have undergone many of the same changes as similar industries in other District states, but in recent months have not shown the same strong upward movements in payrolls and employment. Accelerated activity, beginning with defense preparations in mid-1940, carried manufacturing payrolls and employment in Indiana to all-time highs by September 1941, when change-over operations reduced production in many factories. Since last fall, however, most of Indiana's principal manufacturing industries, e.g., steel, machine shops, engines, machinery, transportation equipment, and non-ferrous metals, have experienced minor losses in payrolls and more substantial losses in employment. In June 1942 there was still no strong evidence that the upward movement had been definitely resumed, payrolls declining 2 per cent and employment gaining less than 1 per cent over the previous month. It is clear, however, that as soon as sufficient adjustments are made to war-time manufacturing conditions, Indiana's industrial capacity will bring a new upward trend which can be expected to continue into the future.

War influences in Indiana have, on the one hand, stimulated some non-durable and semi-durable manufacturing, e.g., cotton textiles, meat packing, canning, petroleum refining, war chemicals, and tobacco manufacturing, but on the other hand, have necessitated rigidly curtailed production in such industries as radio-phonographs, furniture, paper and paper boxes, and rubber products.

#### IOWA

While manufacturing in Iowa does not bulk as large as in the other District states, it has nonetheless experienced many dislocating changes during the past months of war preparation and war. In addition to important seasonal ups and downs caused by processing of agricultural products, manufacturing in general has been subject to intermittent fluctuations since the early period of defense activity. However, a slight upward trend has been reflected in increased payrolls and employment, which in August 1942 stood 4 and 19 per cent, respectively, above the levels prevailing a year earlier.

The most significant rises as usual have occurred in the so-called "heavy" industries. However, gains have been reported in textile products for government issue, cereals, sugar, starch, syrup and glucose, and meat packing. Iowa industries serving civilian needs, such as millwork and job printing, have felt sharply the effect of government restrictions.

#### MICHIGAN

Manufacturing activity in Michigan has assumed a record-breaking upward trend since June 1940, but not without serious interruptions in recent months caused by conversion of major peace-time industries to the production of war materials. Payrolls have advanced more steadily than employment, which dropped sharply during the late fall of 1941 and spring of 1942. In July 1942, total manufacturing payrolls were about 20 per cent larger and employment about 5 per cent smaller than a year earlier. The rising movement in payrolls and employment was revived during the past summer months and promises to continue steadily as established industries become more fully devoted to war production and as new plants reach the production stage. That production limits are yet to be attained is illustrated by the fact that, according to the Michigan State Department of Labor and Industry, the automobile industry in July of this year was using only two-thirds of its mid-1941 employees. Thousands of additional workers, including many women, will be gradually absorbed into plants in the Detroit and other industrial areas of the state.

Several important non-durable goods industries, e.g., canning and preserving, dairy products, meat packing, confectionery, and woolen textiles, have also participated in the war-inspired rises in payrolls and employment, contributing further to the incomes of the state's working force. Offsetting these gains are the losses in less essential industries, such as office and household machinery, stoves and heating apparatus, brick and tile building materials, engraving, sporting goods, and musical instruments.

#### WISCONSIN

Payrolls and employment in Wisconsin manufacturing plants advanced through the fall of 1940 and the first half of 1941 to record levels before changes in the industrial structure brought about by war preparations temporarily impeded the upward movement. As was true in the other District states, the largest gains were made by the durable goods industries, which subsequently were forced to restrict production while plans were carried out to place manufacturing upon a war-time basis.

In the year following July 1941, total manufacturing payrolls and employment fluctuated considerably, but nevertheless managed to gain a third and a tenth, respectively. By July 1942, there was strong evidence that manufacturing activity in plants producing (durable or non-durable) goods on government order would continue to intensify except for possible shortages in materials and labor. Wisconsin industries which have experienced serious difficulty in maintaining former levels of production during the past year have been furniture and other finished lumber products, rubber goods, printing and publishing, and some textile products.

## NON-MANUFACTURING PAYROLLS AND EMPLOYMENT

Payrolls and employment in the District's non-manufacturing industries, comprising trade, construction, transportation, public utilities, and services, have generally lagged considerably behind the gains made in manufacturing industries. Non-manufacturing payrolls in Illinois, Indiana, Iowa, and Wisconsin (Michigan data not available) increased less than one-fifth from June 1940 to June 1942. Employment gains were much smaller. Unfortunately the data on non-manufacturing payrolls and employment in the District are fragmentary and permit only general conclusions which must also be based upon other related information.

Increases in merchandising payrolls for Indiana, Iowa, and Wisconsin from June 1940 to June 1942 paralleled rises for the nation which were 13 per cent in retail payrolls and 18 per cent in wholesale payrolls. Illinois gains were somewhat larger.

Payroll and employment data for construction industries in the District are not available, but it is apparent from the value of District construction contract awards that gains have already been made and will continue for some time. Construction contracts, principally industrial and military, in August 1942 were 50 per cent above the highest previous month (March 1942) and were 265 per cent higher than in June 1940. Residential building has been generally restricted, except in major war production areas.

Moderate advances in payrolls and employment can be attributed to transportation, public utilities, and some service industries on the basis of current production and revenue reports. However, many of these industries have been severely hit by labor, material, and equipment shortages and future gains may remain small.

### FARM INCOME

Agriculture is a third important source of income and means of employment in the Seventh District. Farm income for both the nation and the District has shown a rapid rise in the last two years. Cash income from farm marketings in the United States totaled nearly 13 billion dollars in the twelve months July 1941 through June 1942, a rise of nearly 5 billion dollars or 61 per cent, over the year July 1939 through June 1940. Cash income

from farm marketings in 1942 is now estimated for the nation at about 15 billion dollars. For the five states of the Seventh District, the rise was from 1.9 billion dollars in 1939-40 to 3.2 billion dollars for 1941-42, or 65 per cent.

While the increases are, in part, a reflection of increased output of farms, especially hogs and dairy products, the bulk of the rise in cash payments to farmers is due to the rise in agricultural prices during the period. Farm prices during 1941-42 were, in general, nearly 50 per cent above the level in 1939-40.

On the whole, price rises have been much greater in livestock and livestock products than in crops. While increased industrial activity and employment have brought a stronger demand for nearly all farm products, much of that increased demand has been for livestock and their products. Moreover, the material factor in the sharply increased demand for such farm output has been the purchase by the Government for lease-lend account and for the armed service. Expenditures of over 800 million dollars for lease-lend since May 1941, when the buying program began, have been heavily concentrated on pork, eggs, poultry, milk, and milk products.

Farm production of livestock and livestock products is a relatively more important source of farm income in the Seventh District than in the country as a whole. Because of this and the greater rise in prices of livestock and livestock products, the Seventh District shows a greater proportional rise in total farm income than does the nation.

### ILLINOIS

Illinois gross cash farm income is more heavily weighted by income from crops than are the totals for each of the other four states of this District. While income from farm animals and their products advanced nearly 80 per cent in the two-year period, the rise in total for Illinois was held down to 62 per cent because of the lesser rise in crop prices than in livestock and products.

### INDIANA

Indiana farm income showed a rise of nearly two-thirds during the period. Livestock enterprises are predominant in this state, and products from these enter-

**GROSS CASH INCOME FROM FARM MARKETINGS**  
(In millions of dollars)

State	July 1939—June 1940			July 1941—June 1942			Percentage Change 1939-40 to 1941-42		
	Crops	Livestock & Livestock Products	Total Market- ings	Crops	Livestock & Livestock Products	Total Market- ings	Crops	Livestock & Livestock Products	Total Market- ings
Illinois.....	209	304	513	285	546	830	+35.9	+79.6	+61.8
Indiana.....	74	200	273	107	347	455	+45.3	+74.1	+66.3
Iowa.....	143	484	627	159	879	1,038	+11.3	+81.6	+65.5
Michigan.....	72	144	216	122	218	340	+70.2	+51.3	+57.4
Wisconsin.....	36	248	284	50	462	512	+41.2	+86.0	+80.3
Total Five States....	544	1,380	1,923	724	2,452	3,176	+33.1	+77.7	+65.2
Total United States..	3,403	4,604	8,007	5,176	7,721	12,897	+52.1	+67.7	+61.1



prises, especially hogs, have moved to market at the relatively higher prices prevailing for these lines, giving this state one of the better showings as to gains in incomes.

#### IOWA

Agricultural income is proportionally a larger part of Iowa's total income than it is in each of the other four District states. Corn and hogs rule the farm economy in this state. The two-year rise in receipts from farm marketings amounted to 65 per cent, but almost all of this gain accrued from the increased output and higher prices in livestock and livestock products, from which source gross cash income gained 80 per cent over the two-year period.

#### MICHIGAN

Income from marketings in Michigan shows the smallest rate of increase for any of the District states, amounting to 57 per cent. Crops are relatively important for Michigan farmers and in 1939 accounted for more than one-third of all income from marketings. Unique among the five District states, Michigan gains in income from this source were at a greater rate than the gain in livestock income. This is due in part to the relatively greater importance of truck crops, which have enjoyed a greater price increase than have other crops, and in part to the relative unimportance of hogs in Michigan, which have been the point of greatest rise in prices among livestock and livestock products.

#### WISCONSIN

Wisconsin's gross cash farm income increased 80 per cent over the period. Crop income is relatively the least important in Wisconsin as compared to the other four states, but truck crops are an important source of income among the crops. Higher prices are largely the explanation for the 40 per cent increase in crop incomes over the period. In livestock and livestock products the gain of 86 per cent in income is a combination of moderately advanced prices in dairy products and considerably expanded output in these lines, although hogs are of substantial importance and have contributed to the gains.

<b>RECEIPTS AND SHIPMENTS OF GRAIN</b> At Interior Primary Markets in the United States (In thousands of bushels)					
	August 1942	August 1941	Per Cent Change August 1942 from August 1941	Ten-Year Average 1932-1941	Per Cent Change August 1942 from Ten-Year Average
<b>WHEAT:</b>					
Receipts.....	39,723	48,787	-18.6	42,689	-6.9
Shipments.....	25,780	17,047	+51.2	19,119	+34.8
<b>CORN:</b>					
Receipts.....	20,160	18,369	+9.8	16,127	+25.0
Shipments.....	14,116	14,630	-3.5	10,824	+30.4
<b>OATS:</b>					
Receipts.....	17,732	14,650	+21.0	18,887	-6.1
Shipments.....	8,862	7,542	+17.5	7,171	+23.6
<b>SOYBEANS:</b>					
Receipts.....	441	297	+48.5	.....	.....
Shipments.....	232	941	-75.3	.....	.....

Source: Chicago Board of Trade.

<b>HOG-CORN RATIOS</b>				
	August 1942	July 1942	August 1941	August 1940
Illinois.....	17.9	17.3	15.7	10.2
Indiana.....	17.3	17.2	14.8	9.8
Iowa.....	18.7	18.3	16.7	10.7
Michigan.....	16.2	15.8	14.2	9.5
Wisconsin.....	16.4	16.1	14.9	9.2
United States.....	16.9	16.6	15.0	9.4

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

<b>UNITED STATES FEDERALLY INSPECTED LIVESTOCK SLAUGHTER</b> (In thousands)					
	August 1942	August 1941	Five-Year Average August 1937-41	Per Cent Change August 1941 to August 1942	Per Cent Change August 1942 from Five-Year Average
Hogs.....	3,223	2,796	2,538	+15	+27
Cattle.....	1,103	968	872	+14	+26
Calves.....	460	414	451	+11	+2
Lambs and Sheep.....	1,840	1,522	1,514	+21	+22

Source: Agricultural Marketing Administration, United States Department of Agriculture.

DEPARTMENT AND APPAREL STORE TRADE										
Seventh Federal Reserve District										
Locality	Total Net Sales			Per Cent Change August 1942 from August 1941			Stocks on Hand (End of Month)		Orders Outstanding	
	Per Cent Change August 1942 from		Per Cent Change January through August 1942  January through August 1941	Open Book Sales	Instal- ment Sales	Cash and C.O.D. Sales	Per Cent Change August 1942 from		Per Cent Change August 1942 from	
	July 1942	August 1941					July 1942	August 1941	July 1942	August 1941
Chicago.....	+22.5	-10.6	+ 5.6	-31.3	-38.0	+ 8.3	+ 2.8	+65.3	-35.0	-36.5
Peoria.....	+28.9	-13.0	+ 2.0							
Fort Wayne.....	+31.6	+ 9.6	+20.7	- 3.3		+48.7	- 0.3	+52.0		
Indianapolis.....	+20.3	+ 1.7	+14.7	-21.2	-43.5	+39.8	+ 0.9	+44.5	-12.5	-33.7
Des Moines.....	+24.9	- 9.1	+ 5.0							
SiouX City.....	+50.7	+ 0.2	+ 3.5							
Detroit.....	+17.0	+ 5.1	+16.2	- 9.4	-34.9	+36.5	+65.5	+117.6	-44.3	-33.4
Flint.....	+25.8	- 7.9	-10.1							
Grand Rapids.....	+32.7	- 9.2	+ 1.9				+ 0.9	+53.5		-34.4
Lansing.....	+16.0	-10.5	+ 2.6							
Milwaukee.....	+15.0	- 0.2	+14.6	-13.6	-47.2	+32.8	- 0.1	+56.5	+17.9	-22.0
Other Cities.....	+18.4	- 7.0	+ 4.0	-15.2	-62.1	+19.7	+ 4.4	+32.8	-15.8	-15.3
District total...	+20.5	- 4.9	+ 8.8	-21.7	-43.9	+21.2	+11.3	+65.6	-32.8	-31.0
Apparel stores..	+58.1	-15.2	+12.2	-40.0	-29.5	+12.7	+ 8.0	+29.7	-31.2	-29.0

# **EMPLOYMENT AND PAYROLLS** Seventh Federal Reserve District

Industrial Group	Week of August 15, 1942			Per Cent Change from July 15, 1942	
	Number of Reporting Firms	Number of Employees	Wage Payments (In thousands of dollars)	Number of Employees	Wage Payments
<b>DURABLE GOODS:</b>					
Metals and Products <sup>1</sup>	1,982	652,950	28,958	+ 2.1	+ 5.7
Transportation Equipment.....	412	457,202	25,139	+ 3.9	+ 7.1
Stone, Clay, and Glass	292	28,461	963	+ 0.8	+ 7.0
Wood Products.....	481	61,260	1,817	- 1.4	+ 0.6
Total.....	3,167	1,199,873	56,877	+ 2.6	+ 6.1
<b>NON-DURABLE GOODS:</b>					
Textiles and Products	454	80,261	1,997	+ 0.7	+ 3.5
Food and Products.....	1,089	183,609	5,748	+ 3.4	+ 3.1
Chemical Products.....	336	47,286	1,851	+ 0.2	+ 2.3
Leather Products.....	186	35,832	1,026	- 1.1	+ 3.7
Rubber Products.....	39	21,695	897	+ 8.4	+15.7
Paper and Printing.....	718	88,676	3,036	- 0.6	+ 2.1
Total.....	2,822	457,359	14,555	+ 1.6	+ 3.6
<b>Total Mfg., 10 Groups..</b>	<b>5,989</b>	<b>1,657,232</b>	<b>71,432</b>	<b>+ 2.3</b>	<b>+ 5.6</b>
Merchandising.....	4,931	144,207	3,674	+ 0.2	+ 0.1
Public Utilities.....	1,123	117,425	4,340	- 0.1	+ 0.3
Coal Mining.....	44	7,272	246	+ 4.8	+13.9
Construction.....	689	24,068	1,292	+21.9	+36.3
<b>Total Non-Mfg., 4 Grps.</b>	<b>6,787</b>	<b>292,972</b>	<b>9,552</b>	<b>+ 1.7</b>	<b>+ 4.2</b>
<b>Total, 14 Groups.....</b>	<b>12,776</b>	<b>1,950,204</b>	<b>80,984</b>	<b>+ 2.2</b>	<b>+ 5.4</b>

<sup>1</sup>Other than transportation equipment. Data furnished by State agencies of Illinois, Indiana, Iowa, Michigan, and Wisconsin.

## **WHOLESALE PRICES**

	Indexes—Aug. 1942 (1926=100)	Per Cent Change from	
		July 1942	Aug. 1941
All Commodities.....	99.2	+0.5	+ 9.9
Farm Products.....	106.1	+0.8	+21.4
Foods.....	100.8	+1.6	+15.6
All Other.....	95.6	-0.1	+ 5.3

Source: Bureau of Labor Statistics.

## **MONTHLY BUSINESS INDEXES**

Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100	Aug. 1942	July 1942	June 1942	Aug. 1941	July 1941	June 1941
<b>MANUFACTURING INDUSTRIES:</b>						
Durable Goods:						
Employment.....	153	150	146	153	155	155
Payrolls.....	228	216	213	180	179	188
Non-Durable Goods:						
Employment.....	122	120	115	123	121	114
Payrolls.....	155	150	145	139	134	128
Total:						
Employment.....	143	140	136	143	143	141
Payrolls.....	205	195	192	167	165	170
<b>FURNITURE MANUFACTURING:</b>						
Orders in Dollars.....	204	195	180	183	257	196
Shipments in Dollars.....	135	162	179	190	168	170
<b>PAPER MANUFACTURING:*</b>						
Tonnage Production.....	114	110	116	135	132	135
<b>PETROLEUM REFINING—(Indiana, Illinois, Kentucky Area):*</b>						
Crude Runs to Stills.....	169	171	162	161	163	162
Gasoline Production.....	145	142	135	152	156	155
<b>BITUMINOUS COAL PRODUCTION:*</b>						
Illinois, Indiana, Iowa, and Michigan.....	132	124	121	117	112	103
<b>BUILDING CONTRACTS AWARDED:</b>						
Residential.....	121	121	150	303	307	308
Total.....	535	308	331	302	243	186
<b>DEPARTMENT STORE NET SALES:*</b>						
Chicago.....	104	87	114	118	87	121
Detroit.....	130	109	130	124	97	124
Indianapolis.....	139	119	138	139	106	128
Milwaukee.....	125	111	128	126	99	127
Other Cities.....	130	98	120	132	92	120
Seventh District—Unadjusted.....	117	97	121	123	92	120
Adjusted.....	148	139	125	155	131	124

\*Daily average basis.

## **COST OF LIVING**

Indexes of the Cost of Goods Purchased by Wage Earners and Lower-Salaried Workers by Groups of Items  
August 15, 1942  
(Average 1935-1939=100)

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Chicago...	116.9	125.5	119.6	112.7	103.5	118.8	110.3
Detroit...	117.3	123.7	125.5	110.8	106.9	120.8	113.2
Average:							
Large Cities	117.4	126.1	125.1	107.6	106.2	121.8	111.1
Percentage Changes from August 15, 1941 to August 15, 1942							
Chicago...	+ 9.5	+16.1	+14.4	+ 1.8	+ 1.0	+ 9.6	+ 6.5
Detroit...	+ 9.1	+15.5	+17.8	- 1.4	+ 2.6	+ 9.5	+ 7.6
Average:							
Large Cities	+10.5	+16.8	+17.0	+ 1.2	+ 2.9	+11.8	+ 6.8

Source: Bureau of Labor Statistics.

## **BANK DEBITS**

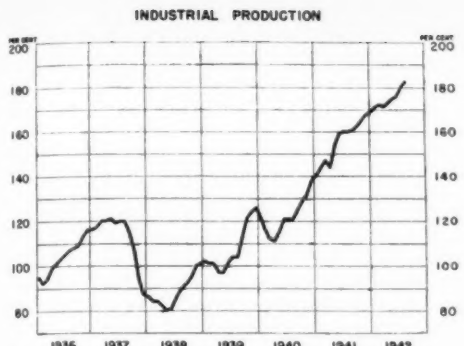
Debits to deposit accounts, except interbank accounts

	(In thousands of dollars)			Per Cent Change August 1942 from	
	Aug. 1942	July 1942	Aug. 1941	July 1942	Aug. 1941
<b>ILLINOIS:</b>					
Aurora.....	15,188	15,898	15,514	- 4	- 2
Bloomington...	16,866	16,533	14,328	+ 2	+18
Champaign-Urbana.....	16,561	17,260	16,264	- 4	+ 2
Chicago.....	4,137,024	4,212,352	3,700,595	- 2	+12
Danville.....	12,974	13,494	12,570	- 4	+ 3
Decatur.....	30,773	31,188	25,191	- 1	+22
Elgin.....	10,184	11,113	9,942	- 8	+ 2
†Joliet.....	31,532	32,487	.....	- 3	.....
Moline.....	11,442	12,531	11,155	- 9	.....
Peoria.....	85,137	82,628	80,556	+ 3	+ 6
Rockford.....	46,317	50,053	38,645	- 7	+20
Springfield.....	34,921	34,516	28,755	+ 1	+21
<b>INDIANA:</b>					
Fort Wayne.....	53,471	56,496	43,166	- 5	+24
Gary.....	24,579	27,220	22,776	-10	+ 8
Hammond.....	12,270	12,734	11,040	- 4	+11
Indianapolis.....	314,276	365,668	260,768	-14	+21
†Lafayette.....	13,273	13,823	.....	- 4	.....
†Muncie.....	20,273	21,400	.....	- 5	.....
South Bend.....	56,466	61,091	50,548	- 8	+12
Terre Haute.....	34,521	34,043	29,245	+ 1	+18
<b>IOWA:</b>					
†Burlington.....	11,698	12,490	.....	- 6	.....
†edar Rapids.....	36,195	37,658	34,292	- 4	.....
Clinton.....	9,297	8,332	7,489	+12	+24
Davenport.....	27,142	29,151	26,404	- 7	+ 3
Des Moines.....	117,852	126,333	102,442	- 7	+15
Dubuque.....	12,591	12,585	12,029	*	+ 5
Mason City.....	13,340	13,762	12,654	- 3	+ 5
Muscatine.....	4,996	5,080	4,360	- 2	+15
†Ottumwa.....	16,501	16,575	.....	**	.....
Sioux City.....	64,462	70,261	51,487	- 8	+25
Waterloo.....	25,787	28,213	24,463	- 9	+ 5
<b>MICHIGAN:</b>					
Adrian.....	6,017	6,071	5,250	- 1	+15
Battle Creek.....	21,396	21,526	19,880	- 1	+ 8
Bay City.....	17,597	17,642	15,123	**	+16
Detroit.....	1,757,294	1,791,523	1,339,803	- 2	+31
Flint.....	35,354	38,389	33,646	- 8	+ 5
Grand Rapids.....	73,775	75,956	75,641	- 3	- 2
Jackson.....	25,728	26,274	21,324	- 2	+21
Kalamazoo.....	31,522	30,710	30,493	+ 3	+ 3
Lansing.....	43,165	45,375	29,673	- 5	+45
†Muskegon.....	30,430	30,003	.....	+ 1	.....
†Port Huron.....	13,006	13,361	.....	- 3	.....
Saginaw.....	31,037	33,323	29,993	- 7	+ 3
<b>WISCONSIN:</b>					
Green Bay.....	21,572	21,768	20,342	- 1	+ 6
†Madison.....	51,435	50,520	.....	+ 2	.....
Manitowoc.....	11,517	12,601	9,192	- 9	+25
Milwaukee.....	415,616	408,345	342,700	+ 2	+21
Oshkosh.....	12,510	12,819	11,255	- 2	+11
†Racine.....	26,898	27,773	.....	- 3	.....
Sheboygan.....	27,350	31,083	24,265	-12	+13
<b>TOTAL 41 CENTERS</b>	<b>7,756,082</b>	<b>7,959,598</b>	<b>6,655,258</b>	<b>- 3</b>	<b>+17</b>
<b>TOTAL 50 CENTERS</b>	<b>8,315,728</b>	<b>8,538,370</b>	.....	<b>- 3</b>	.....
<b>UNITED STATES:</b>					
274 CENTERS.....	49,180,000	50,087,000	42,853,000	- 2	+15

†New reporting centers for which figures were not collected before May 1942.  
\*Increase of less than one per cent. \*\*Decrease of less than one per cent.

## National Summary of Business Conditions

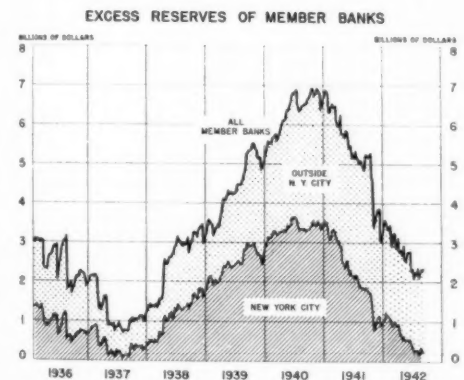
(By the Board of Governors of the Federal Reserve System)



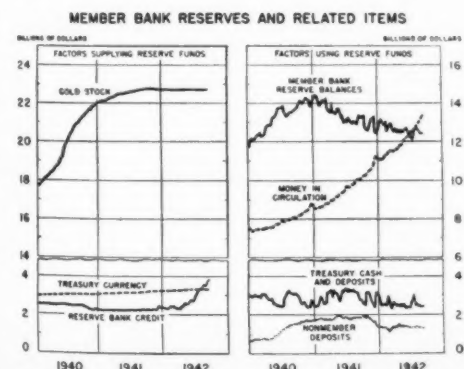
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for August, 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for August, 1942.



Wednesday figures. Latest figures shown are for September 9, 1942.



Wednesday figures, partly estimated. Latest figures shown are for September 9, 1942.

Industrial output continued to rise in August and the first half of September and retail distribution of commodities also increased. Prices of farm products and foods advanced further.

**Production**—Industrial output increased in August and the Board's seasonally adjusted index rose 3 points to 183 per cent of the 1935-1939 average. There were further marked increases in activity in the machinery, transportation equipment, and other armament industries. Crude petroleum production increased considerably from the reduced level of recent months and output of manufactured food products rose more than is usual at this time of year. Production of materials, such as steel, nonferrous metals, coal, and lumber, continued in large volume.

Value of construction contracts awarded in August declined from the record high levels of June and July, according to figures of the F. W. Dodge Corporation. The extent to which the continuing large volume of construction reflects the war program is indicated by the fact that in the first eight months of this year 84 per cent of total awards have been for publicly-financed projects and in recent months the percentage has been higher.

**Distribution**—Distribution of commodities to consumers increased considerably in August, reflecting particularly marked increases in department store sales and in sales of general merchandise in small towns and rural areas. Dollar value of sales to consumers in August was somewhat lower than the unusually large sales a year ago, when there was a considerable amount of anticipatory buying, while average prices were about 12 per cent higher. On the basis of physical volume, therefore, sales were smaller than a year ago.

Railroad freight-car loadings were sustained at a high level during August and the first half of September, reflecting continued large shipments of most classes of freight.

**Commodity Prices**—During August and the first half of September the general wholesale price index advanced about half a point to 99.2 per cent of the 1926 average, reflecting chiefly increases in prices of livestock products. Prices of wheat, flour, and some other uncontrolled commodities also advanced. New crop tobacco prices showed sharp increases over last year and a temporary ceiling at current levels was established for flue-cured types.

Retail food prices continued to rise from the middle of July to the middle of August and further increases are indicated in September. Prices of uncontrolled foods in August were 10 per cent higher than in May.

**Agriculture**—Crop prospects improved considerably during August and aggregate production this year is expected to be about 15 per cent greater than in 1941, which was close to a record year for crops. Unusually high yields per acre are indicated for most major crops and for some others, like oilseed crops, substantially increased acreages are expected to be harvested. Feed grain supplies are expected to be of record proportions, but owing to the growing number of livestock on farms the supply per animal will probably be about the same as last season.

**Bank Credit**—Excess reserves of member banks, which have generally fluctuated between 2.0 and 2.5 billion dollars in recent months, rose temporarily to over 3 billion on September 16. This increase was due partly to a further reduction in reserve requirements on demand deposits at central reserve city banks from 24 to 22 per cent and partly to Treasury disbursements out of its balances with the Reserve Banks in connection with September 15 tax collections and fiscal operations. Funds for these disbursements arose in part from the issuance of special one-day certificates to the Reserve Banks.

Excess reserves of New York City banks have been declining for a number of months owing principally to the excess of funds raised in that city by the Treasury over amounts expended there. The effect of this drain has been offset in part by purchases of Government securities by the Federal Reserve System and by the two successive reductions in reserve requirements.

At banks outside New York City excess reserves have shown little change in recent months. These banks have lost reserves through currency drain and their required reserves have increased owing to growth of their deposits; both these factors, however, have been largely offset by transfers of funds from New York.

Holdings of Government securities at New York City banks, which increased substantially in July and August, declined somewhat in the first half of September. At banks outside New York City holdings have continued to increase.

**United States Government Security Prices**—The recent 3 billion dollar Treasury cash financing operation had little effect on the Government securities market, and prices continued steady.



**SEVENTH FEDERAL**



**RESERVE DISTRICT**



